

**RELAY ADMINISTRATION BOARD****STATE OF LOUISIANA****FINANCIAL REPORT**

**For the year ended  
December 31, 2010**

**(With Accountant's Report Thereon)**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **SEP 14 2011**

# **RELAY ADMINISTRATION BOARD**

## **Basic Financial Statements and Independent Auditor's Reports As of and for the Year Ended December 31, 2010 With Supplemental Financial Information**

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# MICHAEL K. GLOVER

*Certified Public Accountant*

Member  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Relay Administration Board  
Baton Rouge, Louisiana

I have audited the accompanying financial statements of the business-type activities of the Relay Administration Board, a component unit of the State of Louisiana, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Relay Administration Board management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards accepted in the United States and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Controller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Notes, the financial statements present only the Relay Administration Board, a component unit of the State of Louisiana and do not purport to, and do not, present fairly the financial position of the State of Louisiana, as of December 31, 2010, and the changes in financial position and cash flows, for the year ended in conformity with accounting principles generally accepted in the United States of America.

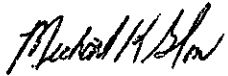
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Relay Administration Board a component unit of the State of Louisiana, as of December 31, 2010, and the changes in financial position and cash flows for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed further in Exhibit A of this report, the board has not complied with certain applicable state laws and regulations. While at the current time the effect of the noncompliance on the financial statements and other supplemental information is not deemed material, the noncompliance does not conform to public policy and also circumvents state oversight.

In accordance with *Government Audit Standards*, I have also issued my report dated June 20, 2010, on my consideration of Relay Administration Board internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters (Exhibit A). The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis, indicated in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures which consisted principally of inquiries of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Relay Administration Board's basic financial statements. The supplementary information indicated in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedure applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Baton Rouge, Louisiana  
June 20, 2011

## **RELAY ADMINISTRATION BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis of the Relay Administration Board's financial performance presents a narrative overview and analysis of the Relay Administration Board's (RAB) financial activities for the year ended December 31, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements, which begin on page 7.

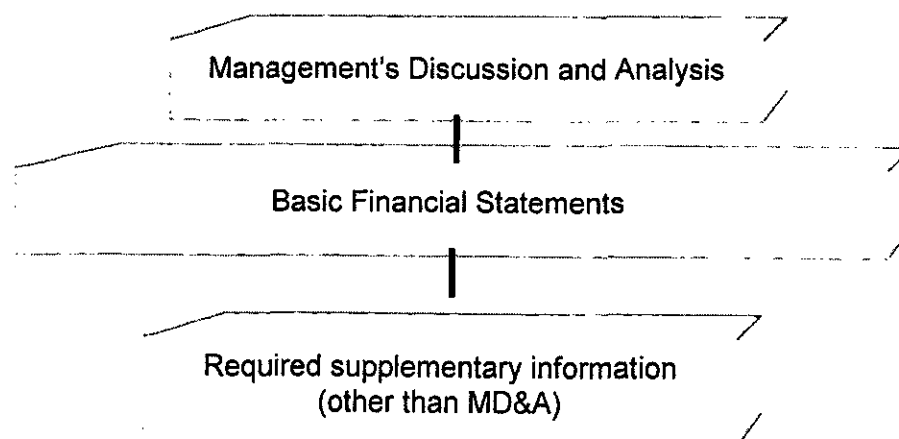
### **FINANCIAL HIGHLIGHTS**

The RAB's assets exceeded its liabilities (net assets) at the close of fiscal year 2010 by \$23,754,608 which represents a 5.55% increase in net assets from last fiscal year. Total assets, consisting almost entirely of investments, increased from \$22,672,163 to \$23,881,539 or 5.3%. At December 31, 2010, the investment portfolio was comprised of U.S. Government and Agency bonds (26%), corporate bonds (31%), common stock (37%), money market funds (1%) and mutual funds (5%). At December 31, 2009, the investment portfolio was comprised of U.S. Government and Agency bonds (29%), corporate bonds (33%), common stock (32%), money market funds (1%) and mutual funds (4%).

RAB's net assets increased by \$1,250,055 in 2010 compared to the 2009 increase in net assets of \$1,490,187. RAB's net investment income increased in 2010 which included more increases in the fair values of investment securities. The increase in the values of investments was primarily related to recoveries in the overall financial markets. RAB's relay service expense also increased compared to the prior year. RAB received no operating revenues during 2010 and 2009 due to the elimination of access charges previously charged to consumers and grants funding.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.



These financial statements consist of two sections - Management's Discussion and Analysis (this section), and the basic financial statements (including the notes to the financial statements).

### **Basic Financial Statements**

The basic financial statements present information for the Relay Administration Board as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 7) presents a summary of assets and liabilities with totals of each. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the RAB is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 8) presents information which shows how the RAB's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 9) presents information showing how the RAB's cash changed as a result of current year operations. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by or used in operating activities (indirect method) as required by GASB 34.

### **FINANCIAL ANALYSIS OF THE ENTITY**

#### **Statement of Net Assets December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Total Assets	\$ 23,881,539	\$ 22,672,163
Total Liabilities	<u>126,931</u>	<u>167,610</u>
Total Net Assets - unrestricted	<u>\$ 23,754,608</u>	<u>\$ 22,504,553</u>

All of the assets of the RAB can be used for any lawful purpose consistent with the articles of incorporation which requires that funds be used for providing telecommunication relay services to the citizens of the State of Louisiana. The RAB has no long-term debt obligations. The total assets at December 31, 2010, are composed of \$293,270 in cash equivalents, \$100,564 in accrued investment income, and \$23,487,705 invested in debt and equity securities. Investment securities are available for liquidity as needed, but are intended to also provide a return on assets that can be used to provide relay services to the hearing and speech impaired.

**Statement of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended December 31, 2010 and 2009**

	2010	2009
Operating Revenues	\$ -	\$ -
Operating Expenses	<u>1,125,444</u>	<u>1,000,767</u>
Operating Loss	<u>(1,125,444)</u>	<u>(1,000,767)</u>
Nonoperating revenues	2,393,574	2,585,484
Nonoperating expenses	<u>(18,075)</u>	<u>(94,530)</u>
Increase in net assets	<u>\$ 1,250,055</u>	<u>\$ 1,490,187</u>

RAB recognized no operating revenues during 2010 and 2009. The Louisiana Public Service Commission indefinitely suspended the 11¢ per line access fee charged to consumers effective in April 2002. Nonoperating revenues decreased in 2010 by \$191,910 or -7.42% due primarily to decrease in interest rates for fixed income securities during 2010.

The majority of RAB's operating expenses represent the provisioning of telephone relay service by a contracted relay service provider. Total 2010 operating expenses increased from 2009 due primarily to increased relay service costs. In 2009, RAB determined that its net investment income should be subject to federal excise tax as a private foundation and accrued associated taxes for the years 2006 through 2009. RAB expects to continue to be subject to excise tax at a rate of 2% of net investment income going forward.

**ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS AND RATES**

As portrayed on page 7 of the financial statements, the Relay Administration Board has accumulated net assets since its inception in 1992 which have been accumulated for the purpose of provisioning of telephone access services for an extended period. The Louisiana Public Service Commission eliminated effective April 2002, the telephone access fee that has been charged to all connections throughout Louisiana and used to fund the RAB operations and net assets. Thus, for 2009, the RAB has no telephone access fee revenue. The RAB also has received no state grants or funding since 2002 and does not expect to again receive state funding in the near future.

RAB continues to monitor its investment portfolio and associated credit and investment risk associated with the types of securities. Since year end, overall financial markets have continued to be volatile and subject to government influences. If overall economic conditions and financial markets remain disrupted for an extended period of time, RAB's ability to meet these objectives may become doubtful.

**CONTACTING THE RELAY ADMINISTRATION BOARD'S MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Relay Administration Board's finances and to show the RAB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Louisiana Public Service Commission, P.O. Box 91154, Baton Rouge, Louisiana 70821-9154.

**RELAY ADMINISTRATION BOARD**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

**ASSETS**

Cash and cash equivalents	\$ 293,270
Investment securities	23,487,705
Accrued investment income	100,564
Total Assets	<u>23,881,539</u>

**LIABILITIES**

Accounts payable and accrued expenses	<u>126,931</u>
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<b><u>NET ASSETS (Unrestricted)</u></b>	<b><u>\$ 23,754,608</u></b>
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The accompanying notes are an integral part of this statement



**RELAY ADMINISTRATION BOARD**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**OPERATING REVENUES**

NONE

**OPERATING EXPENSES**

Relay service costs	\$ 979,169
Consulting fees	55,864
Legal and professional	74,034
Other operating costs	16,377
	<u>1,125,444</u>

**OPERATING LOSS**

(1,125,444)

**NON-OPERATING REVENUES (EXPENSES)**

Net investment income	2,393,574
Income taxes	(18,075)
	<u>2,375,499</u>

**CHANGE IN NET ASSETS**

1,250,055

**NET ASSETS AT BEGINNING OF THE YEAR**

22,504,553

**NET ASSETS AT END OF THE YEAR**

\$ 23,754,608

The accompanying notes are an integral part of this statement

**RELAY ADMINISTRATION BOARD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash payments to suppliers of goods and services	(1,089,668)
Net cash used in operating activities	<u>(1,089,668)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments purchased	(7,140,156)
Investments redeemed	7,606,158
Investment income received	789,408
Income taxes paid	(94,530)
Net cash used in investing activities	<u>1,160,880</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	71,212
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CASH AND CASH EQUIVALENTS, beginning of year	<u>222,058</u>
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CASH AND CASH EQUIVALENTS, end of year	<u><u>293,270</u></u>
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**Reconciliation of operating income to net cash provided by operating activities:**

Excess expenses over revenues from operations	(1,125,444)
Adjustments to reconcile excess expenses over revenues to net cash provided by operating activities:	
Net decrease in accounts payable and accrued expenses	<u>35,776</u>
Net cash used by operating activities	<u><u>(1,089,668)</u></u>

The accompanying notes are an integral part of this statement

## **RELAY ADMINISTRATION BOARD**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010

### **INTRODUCTION**

The Relay Administration Board (referred to as "the board" or "RAB") was created as a non-profit corporation by the Louisiana Public Service Commission, a body created by the Louisiana Constitution, as provided by Order Number U-17656-A pursuant to the telecommunications sections of the Americans with Disabilities Act of 1990 and other applicable regulations adopted by the Federal Communications Commission. The board is comprised of five members who serve indefinite terms at the discretion of the Louisiana Public Service Commission. The board is charged with the responsibility of oversight of telephone relay services for the State of Louisiana, ensuring equal access to telecommunications services for all hearing and speech impaired citizens, and acting as a liaison between the relay service provider and the Louisiana Public Service Commission.

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles.

The board applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. However, the board does not apply FASB pronouncements issued after November 30, 1989.

##### **B. REPORTING ENTITY**

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy has defined the governmental reporting entity to be the State of Louisiana. The Office of Statewide Reporting and Accounting Policy considers the board to be a discrete component unit of the State of Louisiana because the state has financial accountability for fiscal matters as follows: (1) a majority of the board is appointed by the State of Louisiana; (2) upon dissolution of the board, title to all property owned by the board shall vest in the State of Louisiana; (3) the Louisiana Public Service Commission, a commission within a department of the State of Louisiana, has the ability to modify and approve changes to the telephone access fee; and (4) the Louisiana Public Service Commission has the ability to veto, overrule, and modify decisions made by the board. The accompanying financial statements present information only as to the transactions of the programs of the Relay Administration Board. Annually, the State of Louisiana issues basic financial statements,

which include the activity contained in the accompanying financial statements as a business-type activity. The State of Louisiana's basic financial statements are audited by the Louisiana Legislative Auditor.

#### **C. FUND ACCOUNTING**

For financial reporting purposes, the Relay Administration Board is treated as a special-purpose government engaged only in business-type activities. All activities of the board are accounted for within a single proprietary (enterprise) fund to report on its financial position, results of operation, and cash flows. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### **D. BASIS OF ACCOUNTING**

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, regardless of the measurement focus applied. The transactions of the board are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Accordingly, revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Revenues from telephone access fees are reported as operating revenues. Transactions for which cash flows are reported as investing activities are reported as non-operating revenue. All expenses related to operating the board are reported as operating expenses.

#### **E. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The deposits and investments of the Relay Administration Board's monies are governed by an investment policy adopted by the board. Under the policy, monies not needed for immediate expenditure may be invested in (1) U. S. Government and Agency obligations, (2) certificates of deposit issued by financial institutions within the U. S. and its territories up to the maximum FDIC limit, (3) certain collateralized mortgage obligations, and (4) common stock subject to limitations.

For purposes of the statement of cash flows, the Relay Administration Board considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2010, consist of money market funds.

Cash and cash equivalents are carried at cost, which approximates fair value. Investment securities are carried at fair value, as determined by published trade prices,

in accordance with GASB Statement No. 31. Fair value is the estimated price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses are reported in the accompanying statement of revenues, expenses, and changes in fund net assets.

#### **F. USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **G. INCOME TAXES**

The Relay Administration Board was previously considered to be exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Relay Administration Board was considered to be a publicly supported organization through 2002 and not a private foundation by the Internal Revenue Service (IRS) under Section 509(a) of the Internal Revenue Code (IRC). To maintain that status, the Relay Administration Board was required to continually meet the requirements of an applicable support test. Through the year ended December 31, 2005, the Relay Administration Board satisfied the average support test through the collection of a grant from the Louisiana Department of Social Services, Rehabilitation Services through the year 2002.

Beginning for the year 2006, the Relay Administration Board determined it no longer meets the public support requirements and considers the Relay Administration Board to be classified as a private foundation subject to a federal excise tax on net investment income. Federal excise taxes for 2010 of \$18,075 have been accrued as a liability and included as an expense during 2010. Based on the current status as a private foundation, RAB expects to continue to incur a federal excise tax rate of 2% on adjusted net realized investment income (excluding unrealized gains and losses).

## 2. CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2010, investment securities of \$23,487,705 and investments reported as cash and cash equivalents of \$293,270, as presented in the Statement of Net Assets, consist of the following:

	Cost	Fair Value	% of Investments	Standard and Poor's Service Credit Quality Rating	Weighted Average Maturity
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 421,494	\$ 449,541	1.9%	*	17.12
Federal National Mortgage Association (FNMA)	775,114	849,924	3.6%	*	14.19
United States Treasury Bonds	1,246,094	1,285,390	5.4%	*	5.88
United States Treasury Notes	3,600,890	3,601,580	15.1%	*	3.21
American Express	253,700	256,355	1.1%	AAA	0.94
Berkshire Hathaway Finance Corp.	507,955	548,530	2.3%	AA	7.38
General Electric	750,000	760,560	3.2%	AA	0.87
Statoil Asa Gld	407,344	396,096	1.7%	AA	6.63
Merck & Co.	508,375	550,980	2.3%	AA	8.50
Bank America Corp.	514,320	520,315	2.2%	A	6.92
Simon Property Group	513,215	555,495	2.3%	A	4.92
Boeing Co.	299,958	314,631	1.3%	A	4.13
Conoco Phillips	251,650	271,565	1.1%	A	3.09
Pepsico Inc	268,515	269,203	1.1%	A	2.13
Verizon Communications, Inc.	766,170	850,919	3.6%	A	6.25
Koninklijke Philips Electrs	124,605	133,371	0.6%	A	2.19
John Deere Capital	499,605	534,800	2.2%	A	2.26
Morgan Stanley	497,665	525,185	2.2%	A	4.79
Lowe's	243,845	244,490	1.0%	A	5.29
Occidental Pete Corp Del	249,665	249,293	1.0%	A	5.09
Oracle Corp.	249,948	272,350	1.1%	A	2.29
American General Finance Corp.	99,743	99,250	0.4%	B	0.20
Total debt securities - portfolio weighted avg maturity	13,049,870	13,539,822	56.94%		5.37
Common Stock	7,372,426	8,836,099	37.2%	*	
Mutual Funds invested in Common Stock	1,003,061	1,111,784	4.7%	*	
Total amount reported as investments	21,425,357	23,487,705	98.77%		
Money Market Fund - cash equivalent	293,270	293,270	1.2%		
Total Investments	\$ 21,718,627	\$ 23,780,975	100.00%		

\* Credit quality ratings are not required for U.S. government securities, mutual funds or common stocks.

At December 31, 2010, the board has cash equivalents (book balances) totaling \$293,270 which are held in the bank's trust department. This balance represents an investment in a money market fund that, because of its relative liquidity, is reported as a cash equivalent on the Statement of Net Assets.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the board will not be able to recover the value of its investments that are in the possession of an outside party. The board does not have an investment policy for custodial credit risk. At December 31, 2010, the board's investments in common stock, mutual funds, and U.S. government and agency securities are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by the counterparty's agent, but not in the board's name. The board's investment in the money market fund is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

**Concentration of Credit Risk:** The board has adopted an investment policy which limits the percentage of total investments that can be invested in various categories and types of investments. Investments in equity securities are permitted to represent between 10% and 40% of the investment portfolio while fixed income securities are permitted to represent between 55% and 85% of the investment portfolio. Cash is allowed to represent between 2% and 10% of the total portfolio. The board has also adopted a policy that limits its investments in equity securities to a maximum of 5% of its total investments in any one company as well as limitations on concentrations in categories of equity investment types. At December 31, 2010, there were no investments in any one issuer of common stock that represented 5% or more of total investments. In addition, the board has set a limit of 5% of its investments in fixed income securities that can be held in the fixed income securities of any single issuer, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government.

**Credit Risk:** The board has adopted a policy that limits its investments of any single fixed income security to a minimum quality rating of "A" by Standard and Poor's and "A3" by Moody's Investors Service. The average quality rating of the fixed income securities is to be AA or higher. If the rating of any fixed income security should fall below either of these credit quality rating levels, the security should be sold within 90 days of the date of the rating changes provided that the security is liquid and can be sold easily without significantly impacting the security's price or adversely impacting the performance of the overall investment portfolio. At December 31, 2010 the board owned one fixed income security with ratings that declined below the minimum rating which is continuing to be evaluated by the board.

**Interest Rate Risk:** For an investment, interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments held for longer periods are generally subject to increased risk of value fluctuations due to interest rate changes. The board's policy is to measure and monitor the weighted average maturity and duration of the fixed income securities portfolio in order to manage exposure to interest rate risk. This includes the weighted average maturity and duration of the total fixed income portfolio, individual securities, as well as categories of securities held by board.

Components of net investment income, as presented in the Statement of Revenues, Expenses and Changes in Net Assets, are as follows for the year ended December 31, 2010:

Interest earnings	\$	561,663
Dividends on common stock		131,795
Realized gains on investments, net		210,292
Net increase in the fair value of investments		<u>1,489,824</u>
Net Investment Income	\$	<u>2,393,574</u>

The determination of realized gains and losses is independent of the calculation of the net change in fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year were not included as a change in the fair value of investments.

### **3. FUNDING SOURCES**

The Louisiana Public Service Commission issued Order No. U-17656-B directing local exchange carriers to collect an access fee of eleven cent (\$0.11) per access line and remit those funds to the board to fund telephone relay services of the State of Louisiana. Effective April 2002, the Louisiana Public Service Commission eliminated the collection of the access line fee. As a result, the board's operations are now being funded from existing assets and investment earnings there from.

### **4. BOARD MEMBER COMPENSATION**

Although compensation to board members is authorized by the Relay Administration Board's by-laws, no compensation was paid to board members during 2010.

### **5. LITIGATION**

The board has been named a defendant in a suit asserting that certain telecommunication relay service charges collected since the inception of the board constituted an unconstitutional and illegal tax imposed by the board and/or the Louisiana Public Service Commission. The plaintiffs are seeking to have suit certified as a class action. The board intends to vigorously defend these claims and the class certification. The suit is in the early stages of discovery and the ultimate outcome is not currently predictable. Although the board believes that the suit has no merit, there can be no assurances that the litigation will be resolved in the defendants' favor and an adverse resolution could adversely affect the board's financial condition and provision of telecommunications relay services to the hearing-impaired and speech-impaired residents of Louisiana.

### **6. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 20, 2011 and determined that no events occurred that would require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**RELAY ADMINISTRATION BOARD  
SUPPLEMENTAL FINANCIAL INFORMATION**

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,  
DIVISION OF ADMINISTRATION,  
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY  
As of and for the Year Ended December 31, 2010**

The following supplemental information presents the financial position of the Relay Administration Board as of December 31, 2010, and the results of its operations (including cash flows) for the year then ended. The information is presented in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

Louisiana Relay Administration Board

STATE OF LOUISIANA  
Annual Financial Statements  
December 31, 2010

C O N T E N T S

TRANSMITTAL LETTER  
AFFIDAVIT

Statements

Balance Sheet	A
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## Schedules

- 1 Schedule of Per Diem Paid to Board Members
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- 3 Schedules of Long-Term Debt
- 4 Schedules of Long-Term Debt Amortization
- 5 Schedule of Current Year Revenue and Expenses – Budgetary Comparison of Current Appropriation – Non-GAAP Basis (applicable only for entities whose budget is appropriated by the legislature)
- 15 Schedule of Comparison Figures and Instructions
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## Appendix

- A General Instructions for Preparation of the Consolidated BTA AFR
- B Instructions for the Simplified Statement of Activities
- C Information for Note C – Deposits with Financial Institutions & Investments
- D Information for Note I – Other Postemployment Benefits
- E Information for Note Q – Revenues or Receivables – Pledged or Sold (GASB 48)
- F Information for Note BB – Net Assets Restricted by Enabling Legislation
- G Information for Note CC – Impairment of Capital Assets
- H Information for Schedule 16 – Cooperative Endeavors

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**BALANCE SHEET**  
**AS OF December 31, 2010**

**Statement A**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 293,270
Investments	
Receivables (net of allowance for doubtful accounts)(Note U)	
Due from other funds (Note Y)	
Due from federal government	
Inventories	
Prepayments	
Notes receivable	
Other current assets	100,564
Total current assets	393,834

**NONCURRENT ASSETS:**

Restricted assets (Note F):	
Cash	
Investments	
Receivables	
Investments	23,487,705
Notes receivable	
Capital assets (net of depreciation)(Note D)	
Land	
Buildings and improvements	
Machinery and equipment	
Infrastructure	
Construction-in-progress	
Other noncurrent assets	
Total noncurrent assets	23,487,705
Total assets	\$ 23,881,539

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable and accruals (Note V)	\$ 126,931
Due to other funds (Note Y)	
Due to federal government	
Deferred revenues	
Amounts held in custody for others	
Other current liabilities	
Current portion of long-term liabilities: (Note K)	
Contracts payable	
Compensated absences payable	
Capital lease obligations	
Claims and litigation payable	
Notes payable	
Bonds payable	
Other long-term liabilities	
Total current liabilities	126,931

**NONCURRENT LIABILITIES: (Note K)**

Contracts payable	
Compensated absences payable	
Capital lease obligations	
Claims and litigation payable	
Notes payable	
Bonds payable	
OPEB payable	
Other long-term liabilities	
Total noncurrent liabilities	-
Total liabilities	126,931

**NET ASSETS**

Invested in capital assets, net of related debt	
Restricted for:	
Capital projects	
Debt service	
Unemployment compensation	
Other specific purposes	
Unrestricted	23,754,608
Total net assets	23,754,608
Total liabilities and net assets	\$ 23,881,539

The accompanying notes are an integral part of this financial statement.

**STATE OF LOUISIANA****Statement B****Louisiana Relay Administration Board (BTA)****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED December 31, 2010****OPERATING REVENUES**

Sales of commodities and services

\$ \_\_\_\_\_

Assessments

\_\_\_\_\_

Use of money and property

\_\_\_\_\_

Licenses, permits, and fees

\_\_\_\_\_

Other

\_\_\_\_\_

Total operating revenues

\_\_\_\_\_

**OPERATING EXPENSES**

Cost of sales and services

1,125,444

Administrative

\_\_\_\_\_

Depreciation

\_\_\_\_\_

Amortization

\_\_\_\_\_

Total operating expenses

1,125,444

Operating income(loss)

(1,125,444)

**NON-OPERATING REVENUES(EXPENSES)**

State appropriations

\_\_\_\_\_

Intergovernmental revenues(expenses)

\_\_\_\_\_

Taxes

(18,075)

Use of money and property

\_\_\_\_\_

Gain on disposal of fixed assets

2,393,574

Loss on disposal of fixed assets

\_\_\_\_\_

Federal grants

\_\_\_\_\_

Interest expense

\_\_\_\_\_

Other revenue

\_\_\_\_\_

Other expense

\_\_\_\_\_

Total non-operating revenues(expenses)

2,375,499

Income(loss) before contributions, extraordinary items, &amp; transfers

1,250,055

Capital contributions

\_\_\_\_\_

Extraordinary item - Loss on impairment of capital assets

\_\_\_\_\_

Transfers in

\_\_\_\_\_

Transfers out

\_\_\_\_\_

Change in net assets

1,250,055

Total net assets - beginning

22,504,553

Total net assets - ending

\$ 23,754,608

The accompanying notes are an integral part of this financial statement.

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED December 31, 2010**

**Statement C**

See Appendix B for instructions

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Entity	\$ 1,143,519	\$	\$	\$ (1,143,519)
General revenues:				
Taxes				
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				2,393,574
Miscellaneous				
Special items				
Extraordinary item - Loss on impairment of capital assets				
Transfers				
Total general revenues, special items, and transfers				2,393,574
Change in net assets				1,250,055
Net assets - beginning as restated				22,504,553
Net assets - ending				\$ 23,754,608

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED December 31, 2010**

**Statement D**  
**(continued)**

Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)		
Net cash provided(used) by operating activities		<u>(1,089,668)</u>
<b>Cash flows from non-capital financing activities</b>		
State appropriations		
Federal receipts		
Federal disbursements		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Operating grants received		
Transfers in		
Transfers out		
Other		
Net cash provided(used) by non-capital financing activities		<u>-</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets		
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		<u>-</u>
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(7,140,156)	
Proceeds from sale of investment securities	7,606,158	
Interest and dividends earned on investment securities	789,408	
Income taxes	(94,530)	
Net cash provided(used) by investing activities		<u>1,160,880</u>
Net increase(decrease) in cash and cash equivalents		<u>71,212</u>
Cash and cash equivalents at beginning of year		<u>222,058</u>
Cash and cash equivalents at end of year		<u>\$ 293,270</u>

**Statement D**  
**(concluded)**

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED December 31, 2010**

**Reconciliation of operating income(loss) to net cash provided(used) by operating activities:**

Operating income(loss)		\$	(1,125,444)
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:			
Depreciation/amortization			
Provision for uncollectible accounts			
Other			
Changes in assets and liabilities:			
(Increase)decrease in accounts receivable, net			
(Increase)decrease in due from other funds			
(Increase)decrease in prepayments			
(Increase)decrease in inventories			
(Increase)decrease in other assets			
Increase(decrease) in accounts payable and accruals			35,776
Increase(decrease) in compensated absences payable			
Increase(decrease) in due to other funds			
Increase(decrease) in deferred revenues			
Increase(decrease) in OPEB payable			
Increase(decrease) in other liabilities			
Net cash provided(used) by operating activities		\$	(1,089,668)

**Schedule of noncash investing, capital, and financing activities:**

Borrowing under capital lease(s)	\$	
Contributions of fixed assets		
Purchases of equipment on account		
Asset trade-ins		
Other (specify)		
Net increase in fair market value of investments		1,489,824
<b>Total noncash investing, capital, and financing activities:</b>	<b>\$</b>	<b>1,489,824</b>

The accompanying notes are an integral part of this statement.



**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

**INTRODUCTION**

The Relay Administration Board (referred to as "the board" or "RAB") was created as a non-profit corporation by the Louisiana Public Service Commission, a body created by the Louisiana Constitution, as provided by Order Number U-17656-A pursuant to the telecommunications sections of the Americans with Disabilities Act of 1990 and other applicable regulations adopted by the Federal Communications Commission.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Louisiana Relay Administration Board (BTA) present information only as to the transactions of the programs of the Relay Administration Board (BTA) as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Relay Administration Board (BTA) are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

**Revenue Recognition**

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

**Expense Recognition**

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

**B. BUDGETARY ACCOUNTING**

The appropriations made for the operations of the various programs of the Relay Administration Board (BTA) are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

APPROPRIATIONS

Original approved budget	\$ _____
Amendments:	_____
	_____
	_____
Final approved budget	\$ _____ -

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS** (If all agency cash and investments are deposited in the State Treasury, disregard Note C.) See Appendix C for information related to Note C.

**1. DEPOSITS WITH FINANCIAL INSTITUTIONS**

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Louisiana Relay Administration Board (BTA) may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the (BTA) may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows and balance sheet presentation, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

Cash and cash equivalents are carried at cost, which approximates fair value. Investment securities are carried at fair value, as determined by published trade prices, in accordance with GASB Statement No. 31. Fair value is the estimated price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses are reported in the accompanying statement of revenues, expenses, and changes in fund net assets.

**2. INVESTMENTS**

The deposits and investments of the Relay Administration Board's monies are governed by an investment policy adopted by the board. Under the policy, monies not needed for immediate expenditure may be invested in (1) U.S. Government and Agency obligations, (2) certificates of deposit issued by financial institutions within the U.S. and its territories up to the maximum FDIC limit, (3) certain collateralized mortgage obligations, and (4) common stock subject to limitations.

**Custodial Credit Risk**

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the board will not be able to recover the value of its investments that are in the possession of an outside party. The board does not have an investment policy for custodial credit risk. At December 31, 2010, the board's investments in common stock, mutual funds, and U.S. government and agency securities are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by the counterparty's agent, but not in the board's name. The board's investment in the money market fund is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name. In addition, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk.

<u>Type of Investment</u>	<u>Investments Exposed to Custodial Credit Risk</u>		<u>All Investments Regardless of Custodial Credit Risk Exposure</u>	
	<u>Uninsured, *Unregistered, and Held by Counterparty</u>	<u>Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent Not in Entity's Name</u>	<u>Reported Amount Per Balance Sheet</u>	<u>Fair Value</u>
Negotiable CDs	\$ _____	\$ _____	\$ _____	\$ _____
Repurchase agreements	_____	_____	_____	_____
U.S. Government Obligations **	_____	4,886,970	_____	_____
U.S. Agency Obligations	_____	1,299,465	_____	_____
Common & preferred stock	_____	8,836,099	_____	_____
Mortgages (including CMOs & MBSs)	_____	_____	_____	_____
Corporate bonds	_____	7,353,387	_____	_____
Mutual funds	_____	1,111,784	_____	_____
Real estate	_____	_____	_____	_____
External Investment Pool (LAMP) ***	_____	_____	_____	_____
External Investment Pool (Other)	_____	_____	_____	_____
Other: (identify)	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Total investments	\$ _____ - \$	23,487,705	\$ _____ - \$	_____ -

\* Unregistered - not registered in the name of the government or entity

\*\* These obligations generally are not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. government. (See Appendix C for the definition of U.S. Government Obligations)

\*\*\* LAMP investments should not be included in deposits AND should be identified separately in this table to ensure LAMP investments are not double-counted on the State level

3. DERIVATIVES None

4. CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK, AND FOREIGN CURRENCY RISK DISCLOSURES

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

**A. Credit Risk of Debt Investments**

Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end, including the rating agency used (Moody's, S&P, etc.). All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

At December 31, 2010, investment securities of \$23,487,705 and investments reported as cash and cash equivalents of \$293,270, as presented in the Statement of Net Assets, consist of the following:

	Cost	Fair Value	% of Investments	Standard and Poor's Service Credit Quality Rating	Weighted Average Maturity
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 421,494	\$ 449,541	1.9%	*	17.12
Federal National Mortgage Association (FNMA)	775,114	849,924	3.6%	*	14.19
United States Treasury Bonds	1,246,094	1,285,390	5.4%	*	5.88
United States Treasury Notes	3,600,890	3,601,580	15.1%	*	3.21
American Express	253,700	256,355	1.1%	AAA	0.94
Berkshire Hathaway Finance Corp.	507,955	548,530	2.3%	AA	7.38
General Electric	750,000	760,560	3.2%	AA	0.87
Statoil Asa Gld	407,344	396,096	1.7%	AA	6.63
Merck & Co.	508,375	550,980	2.3%	AA	8.50
Bank America Corp.	514,320	520,315	2.2%	A	6.92
Simon Property Group	513,215	555,495	2.3%	A	4.92
Boeing Co.	299,958	314,631	1.3%	A	4.13
Conoco Phillips	251,650	271,565	1.1%	A	3.09
Pepsico Inc	268,515	269,203	1.1%	A	2.13
Verizon Communications, Inc.	766,170	850,919	3.6%	A	6.25
Koninklijke Philips Electrs	124,605	133,371	0.6%	A	2.19
John Deere Capital	499,605	534,800	2.2%	A	2.26
Morgan Stanley	497,665	525,185	2.2%	A	4.79
Lowes	243,845	244,490	1.0%	A	5.29
Occidental Pete Corp Del	249,665	249,293	1.0%	A	5.09
Oracle Corp.	249,948	272,350	1.1%	A	2.29
American General Finance Corp.	99,743	99,250	0.4%	B	0.20
Total debt securities - portfolio weighted avg matur	13,049,870	13,539,822	56.94%		5.37
Common Stock	7,372,426	8,836,099	37.2%	*	
Mutual Funds invested in Common Stock	1,003,061	1,111,784	4.7%	*	
Total amount reported as investments	21,425,357	23,487,705	98.77%		
Money Market Fund - cash equivalent	293,270	293,270	1.2%		
Total Investments	\$ 21,718,627	\$ 23,780,975	100.00%		

\* Credit quality ratings are not required for U.S. government securities, mutual funds or common stocks.

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

**B. Interest Rate Risk of Debt Investments**

1. Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type. (Note – This is the prescribed method, segmented time distribution, for the CAFR. Also, total debt investments reported in this table should equal total debt investments reported in Section A – Credit Risk of Debt Investments.)

Type of Debt Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	\$ 4,886,970	\$	\$ 4,886,970	\$	\$
U.S. Agency obligations	1,299,465			288,244	1,011,221
Mortgage backed securities					
Collateralized mortgage obligations					
Corporate bonds	7,353,387	1,116,165	3,373,382	2,866,840	
Other bonds (describe)					
Mutual bond funds					
Other					
Total debt investments	\$ 13,539,822	\$ 1,116,165	\$ 8,260,352	\$ 3,155,084	\$ 1,011,221

2. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms (e.g. coupon multipliers, reset dates, etc.) of the investment. See Appendix C for examples of debt investments that are highly sensitive to changes in interest rates.

<u>Debt Investment</u>	<u>Fair Value</u>	<u>Terms</u>
None	\$	
Total	\$ -	

**C. Concentration of Credit Risk**

List, by amount and issuer, investments in any one issuer that represents 5% or more of total external investments (not including U.S. government securities, mutual funds, and investment pools).

<u>Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
None	\$	
Total	\$ -	

**D. Foreign Currency Risk None**

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

**5. POLICIES**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the board will not be able to recover the value of its investments that are in the possession of an outside party. The board does not have an investment policy for custodial credit risk. At December 31, 2010, the board's investments in common stock, mutual funds, and U.S. government and agency securities are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by the counterparty's agent, but not in the board's name. The board's investment in the money market fund is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk:* The board has adopted an investment policy which limits the percentage of total investments that can be invested in various categories and types of investments. Investments in equity securities are permitted to represent between 10% and 40% of the investment portfolio while fixed income securities are permitted to represent between 55% and 85% of the investment portfolio. Cash is allowed to represent between 2% and 10% of the total portfolio. The board has also adopted a policy that limits its investments in equity securities to a maximum of 5% of its total investments in any one company as well as limitations on concentrations in categories of equity investment types. At December 31, 2010, there were no investments in any one issuer of common stock that represented 5% or more of total investments. In addition, the board has set a limit of 5% of its investments in fixed income securities that can be held in the fixed income securities of any single issuer, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government.

*Credit Risk:* The board has adopted a policy that limits its investments of any single fixed income security to a minimum quality rating of "A" by Standard and Poor's and "A3" by Moody's Investors Service. The average quality rating of the fixed income securities is to be AA or higher. If the rating of any fixed income security should fall below either of these credit quality rating levels, the security should be sold within 90 days of the date of the rating changes provided that the security is liquid and can be sold easily without significantly impacting the security's price or adversely impacting the performance of the overall investment portfolio. At December 31, 2010 the board owned one fixed income security with ratings that declined below the minimum rating which is continuing to be evaluated by the board.

*Interest Rate Risk:* For an investment, interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments held for longer periods are generally subject to increased risk of value fluctuations due to interest rate changes. The board's policy is to measure and monitor the weighted average maturity and duration of the fixed income securities portfolio in order to manage exposure to interest rate risk. This includes the weighted average maturity and duration of the total fixed income portfolio, individual securities, as well as categories of securities held by board.

Components of net investment income, as presented in the Statement of Revenues, Expenses and Changes in Net Assets, are as follows for the year ended December 31, 2010:

Interest earnings	\$	561,663
Dividends on common stock		131,795
Realized gains on investments, net		210,292
Net increase in the fair value of investments		<u>1,489,824</u>
Net Investment Income	\$	<u>2,393,574</u>

**6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS None**

**D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS None**

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

- E. INVENTORIES None**
- F. RESTRICTED ASSETS None**
- G. LEAVE None**
- H. RETIREMENT SYSTEM N/A**
- I. OTHER POSTEMPLOYMENT BENEFITS (OPEB) N/A**
- J. LEASES None**
- K. LONG-TERM LIABILITIES None**
- L. CONTINGENT LIABILITIES**

On October 1, 2003, the board has been named a defendant in a suit asserting that certain telecommunication relay service charges collected since the inception of the board constituted an unconstitutional and illegal tax imposed by the board and/or the Louisiana Public Service Commission. The plaintiffs are seeking to have suit certified as a class action. The board intends to vigorously defend these claims and the class certification. The suit is in the early stages of discovery and the ultimate outcome is not currently predictable. Although the board believes that the suit has no merit, there can be no assurances that the litigation will be resolved in the defendants' favor and an adverse resolution could adversely affect the board's financial condition and provision of telecommunications relay services to the hearing-impaired and speech-impaired residents of Louisiana.

Claims and litigation cost of \$ -0- (include incremental costs discussed above) were incurred in the current year and are reflected in the accompanying financial statement.

The RAB legal advisor is unable to estimate the effect on the financial statements.

- M. RELATED PARTY TRANSACTIONS None**
- N. ACCOUNTING CHANGES None**
- O. IN-KIND CONTRIBUTIONS**
- P. DEFEASED ISSUES None**
- Q. REVENUES – PLEDGED OR SOLD (GASB 48) None**
- R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) None**
- S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS None**
- T. SHORT-TERM DEBT None**

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2010**

**U. DISAGGREGATION OF RECEIVABLE BALANCES**

Receivables at December 31, 2010, were as follows:

Fund (gen. fund, gas tax fund, etc.)	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
	\$	\$	\$	\$	\$
					-
Gross receivables	\$ -	\$ -	\$ -	\$	\$
Less allowance for uncollectible accounts	-	-	-	-	-
Receivables, net	\$ -	\$ -	\$ -	\$ 100,563	\$ 100,563
Amounts not scheduled for collection during the subsequent year	\$	\$	\$	\$	\$ -

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at December 31, 2010, were as follows:

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
General	\$ 99,648	\$	\$	\$ 27,283	\$ 126,931
					-
Total payables	\$ 99,648	\$ -	\$ -	\$ 27,283	\$ 126,931

**W. SUBSEQUENT EVENTS** None

**X. SEGMENT INFORMATION** None

**Y. DUE TO/DUE FROM AND TRANSFERS** None

**AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS** None

**BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46)** None

**CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES** None

**DD. EMPLOYEE TERMINATION BENEFITS** None

**EE. POLLUTION REMEDIATION OBLIGATIONS (BTA)** None



Name		Amount
Thelma Covello	\$	-0-
Bonnie Eades		-0-
Julia Thornton		-0-
Naomi DeDaul		-0-
Total	\$	-

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**SCHEDULE OF NOTES PAYABLE**  
**December 31, 2010**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>		\$ <u>          </u>

\*Send copies of new amortization schedules

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**SCHEDULE OF BONDS PAYABLE**  
**December 31, 2010**  
**(Fiscal close)**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
<b>Total</b>		<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>		<b>\$ _____</b>

\*Send copies of new amortization schedules

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**SCHEDULE OF CAPITAL LEASE AMORTIZATION**  
**For The Year Ended December 31, 2010**

<u>Ending:</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2010	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u> --
2011	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
2012	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
2013	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
2014	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
2015-2019	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
2020-2024	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
2025-2029	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
2030-2034	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u> --
Total	\$ <u>          </u> --	\$ <u>          </u> --	\$ <u>          </u> --	\$ <u>          </u> --

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**SCHEDULE OF NOTES PAYABLE AMORTIZATION**  
**For the Year Ended December 31, 2010**

Fiscal Year Ending:	Principal	Interest
2010	\$ _____	\$ _____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
2030-2034	_____	_____
Total	\$ _____ -	\$ _____ --

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**SCHEDULE OF BONDS PAYABLE AMORTIZATION**  
**For The Year Ended December 31, 2010**

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ _____	\$ _____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
Total	\$ <u>          --          </u>	\$ <u>          --          </u>

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES**  
**BUDGETARY COMPARISON OF CURRENT APPROPRIATION**  
**NON-GAAP BASIS**  
**December 31, 2010**

Financial Statement	Adjustments	ISIS Appropriation Report-08/14/09	Revised Budget	Variance Positive/(Negative)
<b>Revenues:</b>				
Intergovernmental Revenues	\$	\$	\$	\$
Federal Funds		-		-
Sales of Commodities and Services		-		-
Other		-		-
Total appropriated revenues	-	-	-	-
<b>Expenses:</b>				
Cost of goods sold	\$	\$	\$	\$
Personal services		-		-
Travel		-		-
Operating Services		-		-
Supplies		-		-
Professional services		-		-
Other charges		-		-
Capital outlay		-		-
Interagency transfers		-		-
Debt service		-		-
Other:				
Bad debts		-		-
Depreciation		-		-
Compensated absences		-		-
Interest expense		-		-
Other (identify)		-		-
Total appropriated expenses	-	-	-	-
Excess (deficiency) of revenues over expenses (budget basis)	\$ -	\$ -	\$ -	\$ -

Note: Schedule 5 is only applicable for those entities whose budget is appropriated by the legislature.

**STATE OF LOUISIANA**  
**Louisiana Relay Administration Board (BTA)**  
**SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES**  
**BUDGETARY COMPARISON OF CURRENT APPROPRIATION**  
**NON-GAAP BASIS**  
**December 31, 2010**

Excess (deficiency) of revenues over expenses (budget basis)	\$ _____
Reconciling items:	
Cash carryover	_____
Use of money and property (interest income)	_____
Depreciation	_____
Compensated absences adjustment	_____
Capital outlay	_____
Disposal of fixed assets	_____
Change in inventory	_____
Interest expense	_____
Bad debts expense	_____
Prepaid expenses	_____
Principal payment	_____
Loan Principal Repayments included in Revenue	_____
Loan Disbursements included in Expenses	_____
Accounts receivable adjustment	_____
Accounts payable/estimated liabilities adjustment	_____
Other	_____
Change in Net Assets	\$ _____ -

**Note: Schedule 5 is only applicable for entities whose budget is appropriated by the legislature.**



**Louisiana Relay Administration Board (BTA)**

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$1 million, explain the reason for the change.

## SCHEDULE 15

AGENCY NUMBER  
AGENCY NAME

[illegible]

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.

**MICHAEL K. GLOVER**  
*Certified Public Accountant*

Member  
American Institute of  
Certified Public Accountants

Member  
Society of Louisiana  
Certified Public Accountants

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Directors  
Relay Administration Board  
Baton Rouge, Louisiana

I have audited the financial statement of the business-type activities of the Relay Administration Board, a component unit of the State of Louisiana, as of and for the year ended December 31, 2010, and have issued my report thereon dated June 20, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Relay Administration Board internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Relay Administration Board, a component unit of the State of Louisiana, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective on my audit and, accordingly, I do not express such an opinion. The results of my test disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Non Compliance with State Laws and Regulations**

For the eighth consecutive audit, the Relay Administration Board (RAB) did not comply with all applicable state laws and regulations governing the deposit, investment, or disbursement of public funds. The RAB's funding sources are public funds from Louisiana residents and there is no legal authority for converting these funds to private funds. Furthermore, since the Louisiana Public Service Commission (LPSC) created the RAB, the RAB is an extension of LPSC and is subject to laws and regulations affecting state agencies.

The audit of RAB's activities disclosed noncompliance with the following laws and regulations:

- a. At year end, RAB have investments consisting of \$293,270 in a money market fund; \$6,186,435 in government and agency securities; \$13,539,823 in common stocks, \$7,353,388 in corporate bonds and \$1,111,784 in mutual funds, which do not comply with state law. Louisiana Revised Statute (R.S.) 49:327(C)(1)(a) authorizes state entities to invest monies under their control and not on deposit in the state treasury in time certificates of deposit of state banks organized under the laws of Louisiana, in savings accounts or in shares of savings and loan associations and savings banks as defined by R.S. 6:703(16) and (17)(a), or in share accounts and share certificate accounts of federally or state chartered credit unions.
- b. The RAB did not deposit its funds into the state treasury, as required by the Louisiana Constitution and Revised Statutes. Article VII, Section 9(A) of the Louisiana Constitution and R.S. 49:308 require that all monies received by any state board, agency, or commission be deposited immediately upon receipt in the state treasury.
- c. The RAB did not expend funds in accordance with an annual appropriation by the legislature. Article VII, Section 10(D) of the Louisiana Constitution requires that money shall be drawn from the state treasury only pursuant to an appropriation made in accordance with law.

The board should identify all applicable state laws and regulations relating to the RAB and use of its funds and develop policies and procedures to ensure compliance with those laws and regulations. The board should remit all funds collected to the state treasury to be deposited and invested. In addition, no funds should be expended except in the amounts appropriated each year by the legislature. On May 19, 2003, the Office of Legislative Auditor requested an opinion from the Louisiana Attorney General that, once issued, will either support or dispute the position reached by the auditor. However, the Louisiana Attorney General has taken the position that he will not issue an opinion until pending litigation regarding some of these same issues is concluded. Management does not concur with the finding.

This report is intended solely for the information of management and use of management, others within the entity, the Legislative Auditor, and interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Baton Rouge, LA  
June 20, 2011

## Appendix A

### Management's Corrective Action Plans and Responses to the Findings and Recommendations

**LISKOW & LEWIS**

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Houston, TX 77002  
(713) 651-2900 Main  
(713) 651-2908 Fax

53356.0006

June 30, 2011

**VIA FACSIMILE - (225) 295-1863****AND U.S. FIRST CLASS MAIL**

Michael Glover  
9497 Brookline  
Baton Rouge, LA 70809

Re: Preliminary Relay Administration Board 2010  
Audit Report of Michael Glover

Dear Mr. Glover:

This letter is in response to your request for comments from the Relay Administration Board (the "RAB") regarding your draft Report on Internal Control over Financial Reporting and on Compliance and Other Matters (the "Report").

**A. RAB COMMENTS ON REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The report states that no material weaknesses were found in the RAB's internal control over financial reporting. Therefore, the RAB has no comments on this issue.

**B. RAB COMMENTS ON REPORT ON COMPLIANCE AND OTHER MATTERS**

Please note that, overall, the RAB does not concur in the proposed findings. During the course of the audit by the Office of the Legislative Auditor (the "OLA") in 2003, significant issues arose as to what laws and regulations are applicable to the operations of the RAB. As of the date of this letter, these issues remain unresolved between the RAB, the Louisiana Public Service Commission (the "LPSC") and the OLA. Also, in that same year the OLA sought an opinion from the Attorney General (the "AG") regarding some of these issues. Given that the

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June 30, 2011

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2003 OLA audit report led directly to the filing of a purported class action petition against the RAB, the AG has refused to issue an opinion on these issues. Moreover, as discussed more fully herein, some of the OLA's proposed findings were directly refuted by AG Opinion No. 03-0081. As a result, the RAB cannot concur with the proposed findings without resolution by an authoritative tribunal or body of the applicability of certain statutes to the operations of the RAB. Furthermore, for the same reason, no corrective action can be taken by the RAB at this time.

Problematically, as a direct result of the OLA's audit findings in 2003, the RAB is now faced with very inconsistent claims to the funds it holds. On the one hand, the OLA contends that those funds must be paid into the state treasury. On the other hand, the plaintiff in the purported class action lawsuit apparently wants the LPSC and the RAB to immediately turn over those funds (and more) based on an unsupported allegation that the funds were obtained through an "unconstitutional tax." In the meantime, the RAB is seeking to preserve those funds for the large group of Louisiana citizens (the hearing-impaired and speech-impaired community) who must depend on telecommunications relay services ("TRS") for routine, everyday communications.

For more than thirteen years, the RAB has been in operation, has been audited on an annual basis and has furnished such annual audits to the Division of Administration (which presumably shared them with the OLA). However, no governmental agency asserted that the RAB may be a "state agency" or "public entity" until 2002. By letter to the LPSC dated May 10, 2002, the Division of Administration ("DOA") informed the LPSC that it had "reevaluated the Relay Administration Board as an entity of the state and has concluded that this entity is a component unit of the state for financial reporting purposes." The OLA, in a letter to the RAB dated January 8, 2003, informed the RAB that "now that the Relay Administration Board is considered to be a component unit of the State of Louisiana, our office is required by La. R.S. 24:513 to either conduct an audit or to contract with another licensed certified public accountant to perform those services." Thus, it appears that the OLA itself did not reckon that the RAB was a "state agency" or "public entity" until sometime in 2002 or early 2003. The RAB believes that it has been operated in accordance with all laws and regulations applicable to the operations and administration of the RAB. LPSC Orders Nos. U-17656, U-17656-A, U-17656-B and U-17656-C created the RAB, set out the LPSC's authority to oversee the Louisiana Relay System and have governed its operations.

The draft report states that the RAB is "a component unit of the State of Louisiana." The RAB obviously disagrees with that comment.



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June 30, 2011

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**1. Deposit, investment, or disbursement of public funds**

The RAB does not concur with the proposed finding that it did not comply with all applicable state laws and regulations governing the deposit, investment, or disbursement of public funds. First, this proposed finding appears to be based on an assumption that the RAB falls within the term "state agencies" for purposes of La. R.S. 49:327(C)(1). The term "state agencies" is not actually defined in that statute. No authoritative tribunal or body has made a binding determination that the RAB fell or falls within the category of "state agencies" for purposes of La. R.S. 49:327(C)(1). Hence, the RAB has no basis to conclude that the cited statute is applicable to those funds.

Second, this proposed finding appears to be based on an assumption that the RAB was or is a "state agency" for purposes of La. R.S. 39:372(A)(1). The term "state agency" is not actually defined in that statute, except by mention of Article VII, Section 9(A) of the Louisiana Constitution of 1974. That constitutional provision does not actually define "state agency" and does not purport to define "state agency." No authoritative tribunal or body has made a binding determination that the RAB was or is a "state agency" for purposes of either La. R.S. 39:372(A)(1) or Article VII, Section 9(A) of the Louisiana Constitution of 1974. If the constitutional article is applicable to the RAB (which at this time has yet to be determined), paragraph (1) of Section 9(A) of Article VII states that money received by a state agency need not be deposited in the state treasury when it has been received "as a result of grants or donations or other forms of assistance when the terms and conditions thereof or of agreements pertaining thereto require otherwise." As noted by both the RAB (in prior discussions with the OLA) and the AG in his Opinion No. 03-0081 at page 3, money received by the RAB from the LCD (presumably arising from the \$0.05 tax ultimately collected by the LCD) was required by a series of contracts between the RAB and the LCD to be used solely for the purpose of providing TRS. The AG also concluded that the LCD "has contributed voluntarily to help fund and create . . . the telecommunications relay service." La. Atty. Gen. Op. No. 03-0081, p. 4. The money arising from the monthly \$0.11 telephone access line charge, which was certainly a form of assistance (to cover TRS costs as mandated by the FCC) received by the local exchange carriers from telephone ratepayers, and which was collected by the LPSC and turned over by the LPSC to the RAB, was likewise dedicated solely to the provision of the TRS. The AG in Opinion No. 03-0081, page 3, notes that the provision of TRS is federally mandated and is funded (in part) by the \$0.11 rate fee. Any failure of the RAB to use such grants, donations and other forms of assistance from the LCD and Louisiana telephone ratepayers in compliance with those terms, conditions and agreements, namely, the utilization of the funds for the provision of TRS, would violate the representations made to telephone ratepayers by the LPSC and the RAB's contractual obligations to the LCD. In addition, the monthly \$0.11 telephone access line charge was not a tax, but rather a telephone line access charge. If, as the OLA suggests, the LPSC could not impose the \$0.11 charge for TRS or such charge represents an "overcharge" for TRS, which the RAB denies, the resulting funds in their entirety likely belong either to Louisiana telephone ratepayers or to the local exchange carriers, and would have to be refunded pursuant to

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June 30, 2011

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applicable state laws, regulations and jurisprudence relating to utility regulation, the jurisdiction of which lies solely with the LPSC. Under those circumstances, any alleged requirement that the funds be deposited into the state treasury without constitutional or statutory protections ensuring use of the funds only for or in support of the provision of TRS would cause a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers or the local exchange carriers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

Third, except for earnings on the RAB's investments, which earnings it has used to pay for telecommunications relay services for the hearing-impaired and speech-impaired community in Louisiana, the RAB has received no significant funds from any source for several years.

Fourth, the RAB has voluntarily made its books and records, including any and all banking and checking records, available for inspection and audit by OLA. As a result, for a number of years OLA has been fully aware of the deposits, investments and disbursements of the RAB's funds.

## **2. Funds Not Deposited into the State Treasury**

The RAB does not concur with the proposed finding that the RAB was required to deposit funds into the state treasury. As noted above, for the provision of TRS, the RAB (1) accepted grants, donations or other forms of assistance, pursuant to certain contractual requirements, from the LCD and (2) exercised control over funds collected from the monthly \$0.11 telephone access line charge by the local exchange carriers and transferred through the LPSC to the RAB's accounts. The funds from the LCD were generated by action by the Louisiana legislature (and not the RAB) in imposing a monthly \$0.05 tax (dedicated to purposes determined by the LCD) on telephone lines. The monthly \$0.11 telephone access line charge arose through action of the LPSC in requiring that the charge be included on telephone bills. The RAB did not "generate" the resulting funds received as donations from the LCD or as a result of telephone bill charges. This proposed finding also appears predicated on an assumption that the RAB was or is a "state agency" for purposes of La. R.S. 39:372(A)(1). The term "state agency" is not actually defined in that statute, except by reference in La. R.S. 39:372(A)(2) to Article VII, Section 9(A) of the Louisiana Constitution of 1974. That constitutional provision does not actually, or even purport to, define "state agency." No authoritative tribunal or body has made a binding determination that the RAB was or is a "state agency" for purposes of either La. R.S. 39:372(A)(1) or Article VII, Section 9(A) of the Louisiana Constitution of 1974. If the constitutional article is applicable to the RAB (which at this time has yet to be determined), paragraph (1) of Section 9(A) of Article VII states that money received by a state agency need not be deposited in the state treasury when it has been received "as a result of grants or donations or other forms of assistance when the terms and conditions thereof or of agreements pertaining thereto require otherwise." As noted by both the RAB (in prior discussions with the OLA), and

**LISKOW & LEWIS**

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the AG in his Opinion No. 03-0081 at page 3, money received by the RAB from the LCD (presumably arising from the \$0.05 tax ultimately collected by the LCD) was required by a series of contracts between the RAB and the LCD to be used solely for the purpose of providing TRS. The AG also concluded that the LCD "has contributed voluntarily to help fund and create . . . the telecommunications relay service." La. Atty. Gen. Op. No. 03-0081, p. 4. The money arising from the monthly \$0.11 telephone access line charge, which was certainly a form of assistance received by the local exchange carriers from telephone ratepayers and turned over by the LPSC to the RAB's accounts, was likewise dedicated solely to the provision of the TRS. The AG in Opinion No. 03-0081, page 3, notes that the provision of TRS is federally mandated and is funded (in part) by the \$0.11 "rate fee." Any failure of the RAB to use such grants, donations and other forms of assistance from the LCD and Louisiana telephone ratepayers in compliance with those terms, conditions and agreements, namely, the utilization of the funds for the provision of TRS, would violate the representations made to telephone ratepayers by the LPSC and the RAB's contractual obligations to the LCD. Finally, the monthly \$0.11 telephone access line charge was not a tax, but rather a telephone line access charge. If, as the OLA suggests, the LPSC could not impose the \$0.11 charge for TRS or such charge represents an "overcharge" for TRS, the resulting funds in their entirety belong to the Louisiana telephone ratepayers and must be refunded pursuant to applicable state laws, regulations and jurisprudence relating to utility regulation. Under those circumstances, any alleged requirement that the funds be deposited into the state treasury without constitutional or statutory protections ensuring use of the funds only for the provision of TRS would cause a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

Except for earnings on the RAB's investments, which earnings it has used to pay for telecommunications relay services for the hearing-impaired and speech-impaired community in Louisiana, the RAB has received no significant funds from any source for several years. Moreover, the RAB has voluntarily made its books and records, including any and all banking and checking records, available for inspection and audit by OLA. As a result, for a number of years OLA has been fully aware of the deposits, investments and disbursements of the RAB's funds.

### **3. Funds Not Appropriated**

The RAB does not concur with the proposed finding that it did not expend funds in accordance with "an annual appropriation by the legislature." The proposed finding assumes that the funds in question have been deposited, or are required to be deposited, into the state treasury and further assumes that the RAB is some form of "state agency" responsible for "appropriations." In addition, the proposed finding completely ignores the fact that the funds cannot be used for purposes not directly related to TRS. An alternative use would be a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and therefore

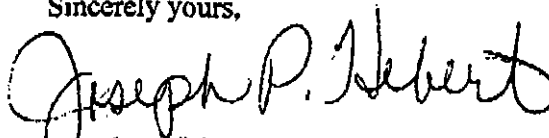
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would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

Sincerely yours,



Joseph P. Hebert

Counsel for the Relay Administration Board

  
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